

HOUSE BILL REPORT

HB 2906

As Reported by House Committee On: Appropriations

Title: An act relating to increasing the funding for the linked deposit program for minority and women's business loans.

Brief Description: Increasing the funding for the linked deposit program for minority and women's business loans.

Sponsors: Representatives Pettigrew, Voloria, McDonald, Priest, Hudgins, Skinner, Darneille, Eickmeyer, Simpson, D., McCoy, Wallace, Kessler, Schual-Berke, Simpson, G., Upthegrove, Wood, Kenney, Morrell, Ormsby and Conway.

Brief History:

Committee Activity:

Appropriations: 2/3/04, 2/5/04 [DPS].

Brief Summary of Substitute Bill

- Increases the amount that may be deposited in the Linked Deposit Program from \$50 million per year to \$65 million per year.
- New deposits would not be made in the program when the effective interest rate on certificates of deposits is less than 2 percent.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 27 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Anderson, Boldt, Buck, Chandler, Clements, Cody, Conway, Cox, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Miloscia, Ruderman, Schual-Berke, Sump and Talcott.

Staff: Dave Johnson (786-7154).

Background:

Surplus treasury funds. The Treasurer limits the amount of funds that must be kept in demand deposits to the amount necessary for current operating expenses and to efficiently manage the treasury. Surplus funds not in demand deposits generally are held in certificates of deposit.

Linked Deposit Program. The Linked Deposit Program was established in 1993 by the Legislature using surplus funds not required to be in demand deposits. Under that program, the Treasurer deposits surplus state funds in public depositories as a certificate of deposit on the condition that the public depository make qualifying loans under the program. Current law defines "qualifying loans" as those that are made to certain minority or women's business enterprises for a period not to exceed 10 years and at an interest rate that is at least 2 percentage points below the market rate that normally would be charged for a loan of that type. Points or origination fees are limited to 1 percent of the loan principal. In turn, the bank or other public depository pays an interest rate on the certificate of deposit equal to 2 percent below the market rate for such certificates.

Recipients of loans under the linked deposit program must be certified as a minority or women's business enterprise by the Office of Minority and Women's Business Enterprises.

The Treasurer may use up to \$50 million per year of surplus funds for deposit in the Linked Deposit Program.

Summary of Substitute Bill:

The bill increases the amount the Treasurer may deposit in the Linked Deposit Program from \$50 million per year to \$65 million per year. New deposits would not be made in the program when the effective interest rate on certificates of deposits is less than 2 percent.

Substitute Bill Compared to Original Bill:

The original bill increased the size of the program from \$50 million to \$75 million. The substitute bill increases the size of the program to \$65 million rather than \$75 million.

A provision was added where new deposits would not be made in the program when the effective interest rate on certificates of deposits is less than 2 percent.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 5, 2004.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (Original bill) The program has provided over 459 loans since it was created ten years ago. It has been a very successful program. A study has shown that over 4,000 jobs have been created since this program began ten years ago. The firms who participated saw a significant increase in gross revenues. There is a waiting list of almost fifteen months. This bill will help us better manage the program, reduce wait lists and increase jobs.

Testimony Against: None.

Persons Testifying: Representative Pettigrew, prime sponsor; Carolyn Crowson and Sam Wagner, Office of Minority and Women Business Enterprises.

Persons Signed In To Testify But Not Testifying: None.